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REPORT TO THE COMMITTEE ON THE BUDGET

FROM

THE COMMITTEE ON VETERANS' AFFAIRS

SUBMITTED PURSUANT TO SECTION 301 OF THE CONGRESSIONAL BUDGET ACT OF 1974

ON THE

BUDGET PROPOSED FOR FISCAL YEAR 1985

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Report of the Committee on Veterans' Affairs on Budget Matters Under its Jurisdiction

The Committee on Veterans' Affairs is submitting this report on estimates of budget matters under its jurisdiction pursuant to section 301(c) of the Congressional Budget and Impoundment Control Act of 1974, which states:

> "301(c) On or before March 15 of each year, each standing committee of the House of Representatives shall submit to the Committee on the Budget of the House, each standing committee of the Senate shall submit to the Committee on the Budget of the Senate, and the Joint Economic Committee and Joint Committee on Internal Revenue Taxation shall submit to the Committees on the Budget of both Houses—
>
> > "(1) its views and estimates with respect to all matters set forth in subsection (a) which relate to matters within the respective jurisdiction or functions of such committee or joint committee; and
> >
> > "(2) except in the case of such joint committees, the estimate of the total amounts of new budget authority, and budget outlays resulting therefrom, to be provided or authorized in all bills and resolutions within the jurisdiction of such committee which such committee intends to be effective during the fiscal year beginning on October 1 of such year."

This report is based on the best information that is now available to the Committee. It is hoped that the report will be helpful to the Committee on the Budget in preparing its budget targets for the first concurrent resolution.

Observations on the Fiscal Year 1985 Budget

I. OVERVIEW

Throughout the more than 200-year history of the United States, nearly 39 million men and women have served in the Armed Forces during wartime. Nearly 1.1 million servicepersons sacrificed their lives in the defense of our country during periods of armed conflict. Today there are approximately 23.1 million living war veterans, all of whom saw service in wars fought in the 20th century (i.e., Spanish-American War, World War I, World War II, Korean conflict, and Vietnam era). A total of 36 million served during these five wars and 697,000 died in service to their country. In addition to the 23.1 million living war veterans, there are nearly 3 million veterans who served only during the peacetime period between the Korean conflict and the Vietnam era, as well as 1,372,000 peacetime veterans who entered military service after May 7, 1975, and have since returned to civilian life.

The total number of veterans living in the United States and Puerto Rico reached an historic high in 1980. Since then, the veteran population has been declining. The number of living veterans decreased during fiscal year 1983 to 28.2 million, a loss of 197,000 from the end of fiscal year 1982. This contraction of the veteran population resulted from the addition of 234,000 service personnel discharged from active duty, and was more than offset by the reentry into active duty service of approximately 36,000 who had previously returned to civilian life and the loss of 395,000 veterans who died during fiscal year 1983.

The median age of all veterans in civilian life as of September 30, 1983, was 51.8 years.

Veterans 65 years of age or older now total about 4.2 million (or nearly 1 out of every 7 living veterans). Their numbers are expected to peak at about 9 million by the year 1999, then decline to some 5.7 million by 2030. By the year 2000, approximately 2 out of every 3 males over 65 will be veterans. Those veterans presently 60–64 years old (3,782,000) will enter the older population group in the next 5 years. Similarly, the surviving veterans among those presently in the 55–59 year age group (3,915,000) will enter the "65 years and older" veteran population during fiscal years 1988 through 1993. By then 1 of every 4 veterans will be 65 years old or older.

While the total number of male veterans continues to decline, the female veteran population is growing. Female veterans in the United States and Puerto Rico today total more than 1,150,000. By the year 2000, their numbers are expected to increase to 1,268,000.

This country has historically provided the veterans of its wars and their survivors with certain aid and benefits in expression of gratitude for their sacrifices and hardships.

In order to effectively carry out the intent of a grateful nation the Veterans' Administration was established as an independent agency under the President by Executive Order 5398 of July 21, 1930, in accordance with the Act of July 3, 1930 (46 Stat. 1016). This act authorized the President to consolidate and coordinate Federal agencies especially created for or concerned in the administration of laws providing benefits to veterans. The mission of the Veterans' Administration is to administer veterans' laws effectively, expeditiously and with sympathetic understanding, and to exercise constructive leadership in the field of veterans' affairs. The laws related to veterans benefits are contained in title 38 of the United States Code.

The programs available to veterans and their dependents or survivors (which comprise the Office of Management and Budget (OMB) function 700), are for the most part based on long traditions of compensating former servicepersons for hardships incurred in the course of military service. Most programs in this function are administered by the Veterans' Administration in support of these former members of the armed services and their survivors and dependents. The major veterans programs provide benefits that are similar in many respects to other human resource programs now available to those in the general population.

Compensation is paid to veterans who have incurred disabilities in military service. Payments vary with the extent of disability and

the amount of income foregone because of that disability. The severely disabled also receive fixed statutory awards and dependents' allowances. Dependency and indemnity compensation (DIC) is paid to survivors of veterans who died from service-connected causes.

Pensions are paid to non-service-connected disabled and aged wartime veterans and their dependents or to their survivors if the recipients' income falls below certain levels. However, there are several income exclusions in determining eligibility for pensions.

Readjustment benefits provide financial assistance for education, training, and rehabilitation to veterans who have served more than 180 days in the military and to certain of their dependents or survivors.

Hospital and medical care is provided, usually in Veterans' Administration facilities, to service-connected disabled veterans, former prisoners of war, veteran pensioners, veterans 65 and over, and any other veteran who is unable to pay for the cost of care. Dependents of 100 percent disabled veterans and survivors of veterans who died from a service-connected disability are provided care through an insurance-type program administered for the VA by the Department of Defense, the Civilian Health and Medical Program of the Veterans' Administration (CHAMPVA).

Other veterans' programs include direct and guaranteed housing loans, life insurance, and burial benefits. The Veterans' Administration also operates programs such as research and health manpower training to support its medical care delivery system.

II. BUDGET OBSERVATION

The President's fiscal 1985 budget for the Veterans' Administration provides for benefits and services to the country's 28.2 million veterans, the 51.7 million members of their families, and the 2.4 million survivors of deceased veterans.

For the period October 1, 1984, through September 30, 1985, budget authority of $27.2 billion is requested, consisting of appropriations of $25.8 billion, $662 million for proposed legislation and an estimated $792 million through permanent authorizations. Budget outlays for 1985 are estimated at $26.7 billion. The requested budget authority is an increase of $993 million over 1984, caused primarily by increases in the medical care appropriation and the level of construction funding.

58.7 percent of the fiscal year 1985 budget's projected outlays ($15.142 billion) are for income security programs, i.e., compensation and pensions; over 35 percent ($9.068 billion) goes to health care; and the remainder to readjustment, housing, and other benefits. Nearly the entire function requires current action by the Congress, yet the bulk of these outlays is uncontrollable because of the entitlement nature of the programs.

Veterans' Administration average employment for 1985 is expected to increase by 2,231 to a level of 223,296. There is an increase of 2,747 in the Department of Medicine and Surgery, including 139 employees due to workload related changes, 42 employees to fully support the decentralized hospital computer program, one new geriatric research, education and clinical center and six new hospital based home care programs. Also included in the 2,747 em-

ployee increase are 2,557 required for facility activation, and a decrease in employees in the Department of Veterans' Benefits of 800 employees. The employment levels for 1983, 1984, and 1985 are as follows:

1983:	
Presidential request	218,420
VA actual	218,481
1984:	
Presidential request	220,785
VA estimated	221,065
1985:	
VA estimated	223,296

The Department of Memorial Affairs is increased by 25 employees due to increased burial activity at existing cemeteries and initial staffing for Ft. Mitchell, Ala., which will open in 1986. General Administration is increased by 91 employees for expanded facility audits, improved veterans appeal response time, increased legal workload, several ADP initiatives, and various activities.

DEPARTMENT OF VETERANS' BENEFITS

A. Income security for veterans

For the fourth year, the Administration proposes dividing the Compensation and Pensions appropriations into three separate appropriation accounts—Compensation, Pensions, and Burial Benefits and Miscellaneous Assistance. The Administration believes this structure would achieve a more informative presentation of the budgetary requirements for these major benefit programs, and that adoption of this new appropriation structure would more closely correspond to a government-wide functional program classification and facilitate program presentation.

In fiscal year 1985, it is estimated that 2.6 million veterans with service-connected disabilities will receive monthly compensation under existing legislation totaling $9.8 billion. Included in the $9.8 billion total are approximately 342,500 survivors of veterans whose deaths were service-connected or related to service-connected disabilities who will receive benefits amounting to over $1.8 billion. For fiscal year 1985, legislation is proposed by the Administration for a 4.3 percent cost-of-living increase in compensation payments effective April 1, 1985, at a cost of $206.3 million. Also included in the fiscal year 1985 budget is $321 million for the 3.5 percent increase in compensation to be effective April 1, 1984. The net cost of this legislation will add $327.3 million to the monthly benefits described above and will bring total compensation payments for fiscal year 1985 to $10.2 billion.

Approximately 732,200 wartime veterans and 817,700 survivors will receive monthly pensions totaling $4 billion in 1985. Pension payments are based upon financial need, and this estimate includes a cost-of-living adjustment of 4.3 percent effective December 1, 1984.

The life insurance programs administered by the Veterans' Administration will provide coverage of $143.8 billion to the families of 7.2 million servicepersons and veterans in fiscal year 1985.

The General Operating Expenses account (GOE) is used to administer non-medical veterans' benefit programs. The account pri-

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marily supports payroll expenses of personnel responsible for administering non-medical benefits to the veteran population. These benefits include the administration of the VA compensation, pension, education, GI loan, and insurance programs as well as the maintenance of the national cemetery system. For the Department of Veterans' Benefits portion of the GOE account, additional funding of $5.7 million is requested, although employment will decrease by 800 employees. The increase includes proposed legislation for an increase of $1.6 million in the reporting allowance to schools. The remaining $4.1 million increase is primarily for uncontrollable non-payroll costs, rents and communications. The Department of Memorial Affairs portion of the GOE account is increased in the fiscal year 1985 budget by $3.7 million and 25 employees for increased burial activity at existing cemeteries, for full year operating costs for Ft. Custer, Mich. cemetery which opens in 1984, and for initial staff for Ft. Mitchell, Ala. which will open in 1986. The rate of burials is expected to increase by 4 percent over 1984 for the entire system. In the General Administration portion of GOE, increases of $24.1 million and 91 employees are requested for expanded facility audits, improved veterans appeal response time, increased legal work-load, several automated data processing initiatives, and various activities.

In the Department of Veterans' Benefits, compensation and pension claims are expected to decrease slightly. The number of education trainees is expected to continue to decrease significantly. Loan guaranty activity is expected to increase. Servicing of insurance policies will maintain workloads as the slightly decreasing number of policies is more than offset by loan actions and by time-consuming death claim activities. The Department of Veterans' Benefits will operate a network of 59 regional office/medical-regional office centers nationwide, conduct over 19.4 million personal interview and telephone actions, provide funding for 653,000 veteran and dependent education trainees, process 1.2 million housing loan guarantees and service 2 million life insurance policies.

Provision is also made in the 1985 budget request for the maintenance and operation of 140 cemetery and miscellaneous activities, including the full year operation of the Ft. Richardson, Alaska National Cemetery and the Ft. Custer, Mich. National Cemetery. Initial staffing and equipment needs for the regional cemetery at Ft. Mitchell, Ala., are also requested.

B. Veterans' education, training and rehabilitation

The Veterans' Administration administers four education, training and rehabilitation programs for veterans and their dependents.

The largest of these programs is the GI bill for persons who served on active duty during the Vietnam era. The number of Vietnam era veterans in this program is expected to continue to decrease as more veterans reach their delimiting date, which is 10 years following their date of discharge or separation from the Armed Forces. Total GI bill trainees in 1985 are estimated at 461,200, a decrease of 103,100 since 1984.

The Post-Vietnam Era Veterans Educational Assistance Program (VEAP) is a voluntary contributory matching program for persons who entered the Armed Forces on or after January 1, 1977. The

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number of active duty serviceperson participants in fiscal year 1985 is estimated to be 440,000, an increase of 40,000 from 1984. Approximately 69,200 are estimated to participate in training under this program, an increase of 17,400 over fiscal year 1984. It is also anticipated that the number of disenrollments in this program will continue to decline by 2,200 from fiscal year 1984.

The number of trainees in the education and training program for spouses and children of a veteran with a permanent and total service-connected disability or the spouses and children of veterans who died of a service-connected disability is estimated to be approximately 73,900, a decline of 4,300 from fiscal year 1984.

Vocational rehabilitation for service-connected disabled veterans whose disabilities resulted in a vocational handicap is the oldest education and training program administered by the Veterans' Administration. This is a continuous, open-ended program which includes the payment of a monthly subsistence allowance, plus educational expenses, to eligible veterans who need this special assistance. It is estimated that 33,000 veterans will receive training under this program in fiscal year 1985, an increase of 500 over fiscal year 1984.

Legislation originally introduced during the 97th Congress, H.R. 1400, the Veterans' Educational Assistance Act of 1981, would have, in addition to other benefits, established a new GI bill program of up to 36 months of educational entitlement for members of the Armed Forces who serve 3 years or longer following enactment of the bill. This legislation was jointly referred to the Committees on Armed Services and Veterans' Affairs. The measure was reported by the Committee on Veterans' Affairs on May 19, 1981, and by the Armed Services Committee on May 17, 1982. Similar legislation was introduced during the first session of the 98th Congress with the same bill number and ordered reported by the Committee on Veterans' Affairs on May 10, 1983. The Committee hopes that it will be acted upon promptly. Since only minimal benefits are payable under the the provisions of this legislation until the third year, there would be no substantial costs for the measure until 1987.

Public Law 98–77, approved by the President on August 15, 1983, the "Emergency Veterans' Job Training Act of 1983", established an emergency program of job training assistance for unemployed Korean conflict and Vietnam era veterans. The Administration made no request for funds for this program in the fiscal year 1985 budget request, due to "an expected improvement in the economy resulting in lower unemployment among Vietnam era and Korean conflict veterans."

The Administration proposes a 15-percent increase in subsistence allowances for Vietnam era veterans, dependents, and vocational rehabilitation trainees, effective January 1, 1985, at an estimated cost of approximately $132 million. The Administration also proposes to repeal the authority that permits the Veterans' Administration to make education loans, which would result in an estimated saving of $97,000 in fiscal year 1985. Additionally, an increase in the reporting fees payable to educational institutions from $7 to $11 and from $11 to $15 respectively at an estimated cost of

$1,585,000 in budget authority and $1,585,000 in outlays is proposed in the fiscal year 1985 budget.

C. Veterans' housing

The Loan Guaranty Program provides housing credit assistance to eligible veterans and service personnel through guarantees of loans made by private lenders and through direct loans to severely disabled veterans on more liberal terms than generally available to non-veterans, without the assumption of undue risks by the Government.

The loan guaranty revolving fund finances the operation of the Loan Guaranty Program, excluding administrative costs. The guarantee may be applied to buying, building or repairing a home, condominium or mobile home in an amount not to exceed 60 percent of the loan or $27,500, whichever is lesser.

Assistance is provided chiefly through substituting the Government's guaranty on loans in lieu of the substantial downpayments, relatively short terms, and other investment safeguards applicable to conventional mortgage transactions. The program also assists certain totally disabled veterans in receiving specially adapted housing grants.

The Direct Loan Program was originally funded to provide credit assistance to eligible veterans, certain surviving spouses and active duty servicepersons in rural areas and small towns or cities where the availability of private mortgage funds was limited. The direct loan revolving fund finances all operation of the Direct Loan Program. The maximum direct loan is $33,000.

New direct loans are presently restricted to disabled veterans requiring specially adapted housing assistance. Prior loans will continue to be serviced with funds from the revolving loan fund. For fiscal year 1985 the Administration requested that the limitation for specially adapted housing direct loans be removed, as the number of severely disabled veterans applying for loans under this program has been less than anticipated. The Veterans' Administration estimates the number of direct loans in fiscal year 1985 to be 26, at a cost of $845,000.

During 1983, 245,122 loans were guaranteed, a 137-percent increase over last year's activity. The increased loan activity coincided with a reduction in the maximum interest rates on VA guaranteed home loans. This rate varied from 11½ percent to 13⅓ percent during fiscal year 1983. This compares to rates varying from 13½ percent to 17½ percent during fiscal year 1982. If interest rates remain steady, the VA loan volume can be expected to remain at constant levels or increase slightly.

Cumulatively, since the inception of the program, through September 30, 1983, 11,498,383 loans totaling $216.9 billion have been made or guaranteed to purchase conventional housing, condominiums, and mobile homes. In addition, 18,206 severely disabled veterans have obtained $27.3 million in approved grants to purchase housing specially adapted to their particular needs.

Since the inception of the program, 461,606 claims have been settled. Incident to those claims, and as a result of foreclosures of direct loans, 459,322 of these properties have been sold. In addition, 5,678 properties were redeemed.

The fiscal year 1985 budget contains a proposal that the VA no longer respond to defaults on VA guaranteed loans by acquiring foreclosed properties but rather pay all lending institutions the guaranteed portion of the loan following foreclosure. The lending institution would then have to dispose of the property. This policy change is construed as a budgetary savings.

This Committee is very concerned about this type of policy change. According to a CBO draft on the impact of this policy on the VA loan guaranty program, any savings realized from the implementation of this type of policy would be short-lived and would ultimately create larger deficits in future years than continuing with existing policy.

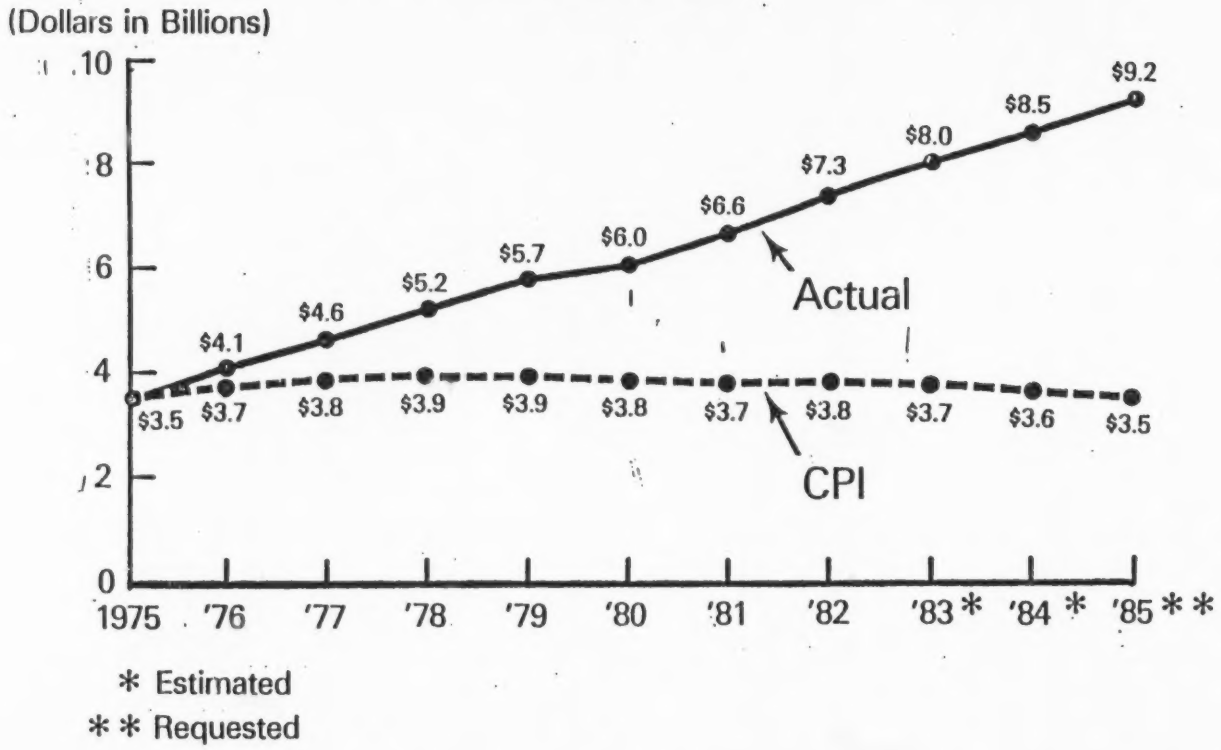
DEPARTMENT OF MEDICINE AND SURGERY

The Veterans' Administration's Department of Medicine and Surgery has arrived at a crossroads in terms of fulfilling its mission of providing quality health care to our Nation's veterans. As the average age of America's veterans rises, their demand for health care services from the Veterans' Administration is expected to increase dramatically. The Veterans' Administration expects to announce later this year its estimate of that demand and its plan for meeting it. Thus, this budget is likely to be the benchmark by which future budgets are compared. Without anticipating the estimates and projections which are likely to be announced, it appears that the facilities which the Veterans' Administration presently operates, and which it plans to build or renovate with the funds requested in its fiscal year 1985 budget request, will not accommodate by any measure the anticipated demand for services over the next 20 years.

It is patently clear that the level of constant dollar resources must increase over this period in order to meet this increased demand while maintaining the quality of care being provided. The VA is requesting funds to operate 97,580 beds in fiscal year 1985, including 10,676 VA nursing home care beds. This is an overall increase of only 128 beds over the number operated at the end of fiscal year 1983. The VA projects that the number of inpatients treated in fiscal year 1985 will be roughly equal to the 1983 level—1.3 million veterans. The projections for outpatient visits are similar—18.7 million visits in 1985 compared to 18.5 million in 1983. Yet by 1987, the number of veterans age 65 and over is expected to roughly double when compared to the 1980 number. Despite this projected increase the VA has only asked for a net increase of $21 million for workload related changes in 1985.

The following chart shows the straight line budget effect on medical care funds when adjusted to the Consumer Price Index.

Comparison of Medical Programs
Actual Budget Authority to CPI Adjusted
1975 - 1985



* Estimated

** Requested

The VA's construction plans anticipate enactment of $822 million in new budget authority for 1985, plus the application of $120 million in accumulated savings from projects where costs were less than anticipated. These funds will permit planning and design for five major replacement or modernization projects which have a total estimated cost of some $784 million. $78 million would be made available in 1985 for these projects. The construction budget request also includes new funding for construction of facilities containing 777 new nursing home care beds, so that by late 1985, the VA will operate 10,676 beds. The budget request also includes $350 million for 19 outpatient and clinical improvement projects.

The Committee is very concerned about the persistent underestimates in the number of outpatients which the VA expects to treat. There is evidence that an artificial "cap" has been placed on the resources available for outpatient treatment, resulting in denial of treatment to eligible veterans in some cases, and in other cases resulting in an inappropriate admission as an inpatient.

The Committee is pleased with the Administration's decision to request increased funds for grants for construction of State nursing homes. The Committee believes that this increased level of funding commitment is necessary in view of the $120 million backlog in applications and the cost savings which result from care of veterans in State homes. The Committee expects that this level of funding will not be a one-time increase; but rather a continuing commitment over the next 4 years which will be necessary to meet the demand for these grants.

VETERANS' BENEFITS AND SERVICES AS PART OF THE TOTAL FEDERAL BUDGET

The following table indicates total Federal outlays, veterans benefits and services outlays (function 700), and the percentage for benefits and services for fiscal years 1975 through 1985.

TOTAL AND VETERANS' BENEFITS AND SERVICES OUTLAYS, FISCAL YEARS 1975–85

[Dollars in millions]

Fiscal year	Total Federal outlays	Veterans' benefits and services	Veterans' as percent of outlays
1975	$324,245	$16,599	5.1
1976	364,473	18,433	5.1
1977	400,506	18,038	4.5
1978	448,368	18,978	4.2
1979	490,997	19,931	4.1
1980	576,675	21,185	3.7
1981	657,204	22,991	3.5
1982	728,375	23,958	3.3
1983	795,969	24,846	3.1
1984 (estimated)	853,760	25,799	3.0
1985 (estimated)	925,492	26,723	2.9

Source: Budget of the U.S. Government for fiscal year 1985, table 22.

As the above table indicates, in 1975 the percentage of total Federal outlays spent on veterans' benefits and services was 5.1 percent. Since that time there has been a steady decrease, with the estimate for fiscal year 1985 at 2.9 percent.

From 1950 to the present, the veteran population has increased from approximately 18.5 million to 28.2 million. Two major GI bill programs educated millions of veterans. Twenty-one major veteran health care measures were approved by the Congress and 19 hospitals were added to the VA hospital system. Yet, Federal outlays for veterans' benefits and services have increased only by a ratio of 3 compared to 332 for social security and medicare; 123 for health; 116 for education, training, employment and social services; and 28 for income security.

The following table indicates Federal outlays for human resources programs for selected years from 1950–85:

FEDERAL OUTLAYS FOR HUMAN RESOURCES PROGRAMS, SELECTED YEARS 1950–85

[In millions of dollars]

Fiscal year	Education, training, employment and social services	Health	Social Security and Medicare	Income security	Veterans' benefits and services
1950	241	268	783	4,129	8,834
1955	445	291	4,436	5,128	4,676
1960	968	796	11,633	7,376	5,441
1965	2,146	1,791	17,456	9,659	5,723
1970	8,634	5,907	36,487	15,645	8,679
1975	15,882	12,870	77,532	50,160	16,599
1980	30,795	23,148	150,648	86,411	21,185
1985 (estimated)	27,893	32,916	260,321	114,380	26,723
Ratio of increase (fold)	116	123	332	28	3

Source: Office of Management and Budget, Federal Government Finances: 1985 Budget Data (February 1984 edition), table 6.

Federal spending for health and medicare programs is expected to total almost $102,599 million in 1985. This total has been broken down by the Office of Management and Budget into several categories. The following table indicates the total Federal outlays for health and for veterans' hospital and medical care, and the percentage attributable to the Veterans' Administration. It is interesting to note the steady decline of Federal outlays attributed to veterans' health care since fiscal year 1974.

FEDERAL OUTLAYS FOR HEALTH, MEDICARE AND VETERANS' HOSPITAL AND MEDICAL CARE, 1975–85

[Dollars in millions]

Fiscal year	Outlays for health	Outlays for medicare	Outlays for Veterans' hospital and medical care	Total	Veterans as percent of total
1975	$12,870	$12,874	$3,665	$29,409	12.5
1976	15,677	15,834	4,046	35,557	11.4
1977	17,246	19,345	4,708	41,299	11.4
1978	18,485	22,768	5,254	46,507	11.3
1979	20,477	26,495	5,611	52,583	10.7
1980	23,148	32,089	6,515	61,752	10.6
1981	26,858	39,149	6,965	72,972	9.5
1982	27,435	46,567	7,517	81,519	9.2
1983	28,655	52,588	8,272	89,515	9.2
1984 (estimated)	30,665	61,064	8,972	100,701	8.9
1985 (estimated)	32,916	69,683	9,597	112,196	8.6

Source: Budget of the U.S. Government for fiscal year 1985, table 22.

VETERANS' ADMINISTRATION PROGRAMS BY FUNCTIONAL DISTRIBUTION

The programs under the Committee's jurisdiction are administered by the Veterans' Administration and are broken down into several subfunctional classifications. There follows a list of the functions and programs included in the Veterans' Administration budget for fiscal year 1985, as well as a comparison of total budget authority and outlays recommended by the Administration and that proposed by the Committee on Veterans' Affairs.

For purposes of clarity, the functions and their respective programs defined by OMB are as follows:

701. *Income security for veterans*
- Compensation and pensions:
  - Service-connected compensation
  - Non-service-connected pensions
  - Other veterans income security programs
- Insurance programs:
  - Veterans insurance and indemnities
  - Service-disabled veterans insurance fund
  - Veterans reopened insurance fund
  - National service life insurance
  - U.S. Government life insurance
  - Veterans special life insurance
  - NSLI and USGLI receipts

702. *Veterans education, training, and rehabilitation*
- Readjustment benefits
- Education loan fund
- Vocational rehabilitation revolving loan fund
- Post-Vietnam era veterans' education account

703. *Hospital and medical care for veterans*
- Medical care
- Medical and prosthetic research
- Medical administration and miscellaneous operating expenses
- Construction, major projects
- Construction, minor projects
- Grants for construction of State extended-care facilities
- Grants to the Republic of the Philippines
- Assistance for health manpower training institutions

704. *Veterans housing*
- Loan guaranty revolving fund
- Direct loan revolving fund

705. *Other veterans benefits and services*
- General operating expenses
- Canteen service revolving fund
- Supply fund
- Consolidated working fund
- General post fund
- Grants for construction and operation of State cemeteries

BUDGET AUTHORITY

[In millions of dollars]

Appropriation/fund account	1983	1984	1985	Change	Committee recommendation	Change
Federal funds:						
Benefit programs:						
Compensation	9,565.916	9,862.300	9,844.300	−18.000		
Pensions	3,741.634	3,940.400	4,006.400	+66.000		
Burial benefits and miscellaneous assistance	122.250	141.200	142.200	+1.000		
Readjustment benefits	1,666.800	1,443.200	1,137.800	−305.400		
Veterans insurance and indemnities	6.400	7.400	11.000	+3.600		
Reinstated entitlement program for survivors		41.000		−41.000		
Loan guaranty revolving fund					75.000	+75.000
Emergency veterans job training		130.000		−130.000	108,600	+108,600
Total benefit programs	15,103.000	15,565.500	15,141.700	−423.800	15,325.300	+183.600
Medical programs:						
Medical care	7,773.254	8,204.414	8,767.435	+563.021	8,795.735	+28.300
Medical and prosthetic research	154.839	217.680	192.695	−24.985		
Medical administration and miscellaneous operating expenses	56.420	67.003	73.013	+6.010		
Grants for construction of State extended care facilities	18.000	18.000	34.500	+16.500		
Grants to the Republic of the Philippines	.500	.500	.500			
Total medical programs	8,003.013	8,507.597	9,068.143	+560.546	9,096.443	+28.300
Construction programs:						
Construction, major projects	670.792	345.692	619.594	+273.902		
Construction, minor projects	141.748	185.378	202.200	+16.822		
Total construction programs	812.540	531.070	821.794	+290.724		

BUDGET AUTHORITY—Continued

[In millions of dollars]

Appropriation/fund account	1983	1984	1985	Change	Committee recommendation	Change
General operating expenses and miscellaneous:						
General operating expenses	690.152	723.487	755.454	+31.967		
Grants for the construction of State veterans cemeteries	2.500	3.000	5.000	+2.000		
Total GOE and miscellaneous	692.652	726.487	760.454	+33.967		
Total appropriations, adjusted	24,611.205	25,330.654	25,792.091	+461.437	26,003.991	+211.900
Proposed legislation:						
Compensation		161.000	528.100	+367.100	685.000	+156.900
Readjustment benefits			132.700	+132.700	136.100	+3.400
Medical care		.200		−.200	25.400	+25.400
REPS					2.200	+2.200
Cemeteries			1.685	+1.685		
General operating expenses		161.200	662.485	+501.285	850.385	+187.900
Total proposed legislation	−77.510	−67.100	−74.900	−7.800		
Proprietary receipts from the public	24,533.695	25,424.754	26,379.676	+954.922	26,779.476	+399.800
Total Federal funds						
Trust funds:						
Post-Vietnam era veterans education account	222.315	201.200	225.500	+24.300		
General post fund	10.667	11.500	11.800	+.300		
National service life insurance	1,202.072	1,229.700	1,267.500	+37.800		
U.S. Government life insurance	26.268	23.100	20.800	−2.300		
Total trust funds (gross)	1,461.322	1,465.500	1,525.600	+60.100		
Proprietary receipts from the public	−605.105	−592.890	−593.105	−.215		
Total trust funds (net)	856.217	872.610	932.495	+59.885		
Intragovernmental transactions	−65.911	−44.531	−66.405	−21.874		
Total Veterans' Administration	25,324.001	26,252.833	27,245.766	+992.933	27,645.566	+399.800

OUTLAYS

[In millions of dollars]

Appropriation/fund account	1983	1984	1985	Change	Committee recommendation	Change
Federal funds:						
Benefit programs:						
Compensation	9,843.853	9,874.500	9,845.700	−28.800		
Pensions	3,893.900	3,940.000	4,004.000	+64.000		
Burial benefits and miscellaneous assistance	122.250	141.200	142.200	+1.000		
Readjustment benefits	1,713.702	1,440.790	1,160.300	−280.490		
Veterans insurance and indemnities	6.629	7.484	11.083	+3.599		
Reinstated entitlement program for survivors		41.000	4.173	−36.827		
Emergency veterans job training		31.800	95.700	+63.900	170.700	+75.000
Loan guaranty revolving fund	239.268	112.700	29.592	−83.108	91.700	+62.108
Direct loan revolving fund	−139.764	−5.986	−5.382	+.604		
Service-disabled veterans insurance fund	.432	1.200	1.150	−2.350		
Veterans reopened insurance fund	−22.475	−17.900	21.300	+39.200		
Education loan fund	−6.577	−9.015	−12.375	−3.360		
Vocational rehabilitation revolving fund	−.021	.014	−.015	+.001		
Servicemen's group life insurance fund	−39.751	−24.100	−23.500	+.600		
Total benefit programs	15,611.446	15,533.687	15,271.656	−262.031	15,408.764	+137.108
Medical programs:						
Medical care	7,602.087	8,141.622	8,639.643	+498.021	8,667.943	+28.300
Medical and prosthetic research	151.583	171.841	205.324	+33.483		
Medical administration and miscellaneous operating expenses	58.365	69.143	73.834	+4.691		
Grants for construction of State extended care facilities	13.612	14.796	18.095	+3.299		
Grants to the Republic of the Philippines	.353	.647	.500	−.147		
Assistance for health manpower training institutions	17.467	8.000	1.400	−6.600		
Construction and operation of garage and parking facilities	.176					
Canteen service revolving fund	−5.333	1.991	1.009	−.982		
Special therapeutic and rehabilitation activities fund	−.010	−.010	−.010			
Total medical programs	7,838.300	8,408.030	8,939.795	+531.765	8,968.095	+28.300
Construction programs:						
Construction, major projects	337.782	435.123	498.123	+63.000		

OUTLAYS—Continued

[In millions of dollars]

Appropriation/fund account	1983	1984	1985	Change	Committee recommendation	Change
Construction, minor projects	90.872	130.717	160.089	+29.372		
Total construction program	428.654	565.840	658.212	+92.372		
General Operating Expenses and Miscellaneous:						
General operating expenses	673.710	721.707	750.954	+29.247		
Grants for the construction of State veterans cemeteries	1.593	4.753	2.600	−2.153		
Supply fund	−22.376					
Total GOE and miscellaneous	652.927	726.460	753.554	+27.094		
Total appropriations and funds	24,531.327	25,234.017	25,623.217	+389.200	25,788.625	+165.408
Proposed legislation:						
Compensation		134.200	493.700	+359.500	650.600	+156.900
Readjustment benefits			132.700	+132.700	136.100	+3.400
Medical care					25.400	+25.400
Reinstated entitlement program for survivors		.200		−.200		
General operating expenses			1.685	+1.685		
Cemeteries					2.200	+2.200
Education loan fund			−.097			
Total proposed legislation		134.400	627.988	+493.685	815.985	+187.997
Proprietary receipts from the public	−77.510	−67.100	−74.900	−7.800		
Total Federal funds	24,453.817	25,301.317	26,176.305	+875.085	26,529.710	+353.405
Trust funds:						
Post-Vietnam era veterans education account	140.329	147.900	174.200	+26.300		
General post fund	9.449	10.000	10.300	+.300		
National service life insurance	890.928	964.200	1,014.400	+50.200		
U.S. Government life insurance	59.851	54.200	50.000	−4.200		
Veterans special life insurance	−56.486	−69.200	−72.000	−2.800		
Total trust funds (gross)	1,044.071	1,107.100	1,176.900	+69.800		
Proprietary receipts from the public	−605.105	−592.890	−593.105	−.215		

Total trust funds (net)	438.966	514.210	583.795	69.585		
Intragovernmental transactions	−65.911	−44.531	−66.405	−21.874		
Total Veterans' Administration	24,826.872	25,770.996	26,693.695	+922.796	27,047.100	+353.405

VETERANS' ADMINISTRATION BUDGET DURING 10-YEAR PERIOD

The following tables depict the growth in both budget authority and outlays over the 10-year period:

BUDGET AUTHORITY, FISCAL YEARS 1976–85

[In millions of dollars]

Appropriation/fund account	Actual								Estimate	
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Federal funds:										
Benefit programs:										
Compensation and pensions	8,249.200	8,982.500	9,636.400							
Compensation				6,909.452	7,337.300	8,529.783	9,590.493	9,565.916	9,862.300	9,844.300
Pensions				3,554.848	3,678.800	3,794.177	4,047.600	3,741.634	3,940.400	4,006.400
Burial benefits and miscellaneous assistance				178.545	185.700	207.684	140.057	122.250	141.200	142.200
Readjustment benefits	6,014.475	3,983.900	2,617.778	2,509.555	2,318.535	2,349.673	1,964.100	1,666.800	1,443.200	1,137.800
Veterans insurance and indemnities	6.600	7.000	3.712	5.750	5.400	5.406	9.350	6.400	7.400	11.000
Reinstated entitlement program for survivors									41.200	
Emergency veterans job training									130.000	
Loan guaranty revolving fund										
Education loan fund			17.200							
Vocational rehabilitation revolving fund	.100					1.250				
Total benefit programs	14,270.375	12,973.400	12,275.090	13,158.150	13,530.735	14,892.973	15,751.600	15,103.000	15,565.500	15,141.700
Medical programs:										
Medical care	3,854.456	4,373.807	4,924.649	5,374.374	5,832.039	6,339.396	7,101.028	7,773.254	8,204.414	8,767.435
Medical and prosthetic research	97.309	104.533	111.053	122.847	125.847	140.070	140.855	154.839	217.680	192.695
Medical administration and miscellaneous operating expenses	38.528	39.941	43.316	47.058	48.205	52.809	69.369	56.420	67.003	73.013
Grants for construction of State extended care facilities	10.000	10.000	15.000	10.000	7.500	15.000	15.840	18.000	18.000	34.500
Grants to the Republic of the Philippines	2.100	2.100	1.700	.500	1.350	1.200	1.000	.500	.500	.500
Assistance for health manpower training institutions	30.000	45.045	53.411	104.905						
Construction and operation of garage and parking facilities										
Total medical programs	4,061.394	4,575.426	5,169.129	5,659.684	6,014.941	6,548.475	7,328.092	8,003.013	8,507.597	9,068.143

Construction programs:										
Construction, major projects	297.464	405.681	393.689	365.560	321.292	216.614	372.270	670.792	345.692	619.594
Construction, minor projects	106.426	92.791	95.234	86.345	73.233	108.908	102.010	141.748	185.378	202.200
Total construction programs	403.890	498.472	488.923	451.905	394.525	370.522	474.280	812.540	531.070	821.794
General operating expenses and miscellaneous:										
General operating expenses	483.300	525.633	581.850	631.675	611.609	643.251	662.057	690.152	723.487	757.139
Grants for the construction of State veterans cemeteries					5.000	5.000		2.500	3.000	5.000
Total general operating expenses and miscellaneous	483.300	525.633	581.850	631.675	616.609	648.251	662.057	692.652	726.487	762.139
Total appropriations (adjusted)	19,218.959	18,572.931	18,514.992	19,901.414	20,551.810	22,455.221	24,216.029	24,611.205	25,330.654	25,792.091
Proposed legislation:										
Compensation									161.000	528.100
Readjustment benefits										132.700
Reinstated entitlement program for survivors									.200	
General operating expenses										1.685
Total proposed legislation									161.200	662.485
Deduct: Proprietary receipts from the public	−1.549	−.679	−3.138	−3.821	−2.450	−2.942	−3.476	−77.510	−67.100	−74.900
Total federal funds	19,217.410	18,572.252	18,511.854	19,897.593	20,549.360	22,452.279	24,212.553	24,533.695	25,424.754	26,379.676
Trust funds:										
Post-Vietnam era veterans education account		3.321	31.736	70.788	111.302	142.245	161.057	222.315	201.200	225.500
General post fund	4.808	5.497	6.305	6.460	7.414	7.707	9.942	10.667	11.500	11.800
National service life insurance	851.629	912.821	939.727	982.543	1,044.166	1,104.104	1,163.633	1,202.072	1,229.700	1,267.500
U.S. Government life insurance	37.687	37.402	36.153	38.310	37.968	34.152	31.209	26.268	23.100	20.800
Total trust funds (gross)	894.123	959.041	1,013.920	1,098.101	1,200.850	1,288.208	1,365.841	1,461.322	1,465.500	1,525.600
Deduct: Proprietary receipts from the public	−458.042	−486.982	−512.960	−526.328	−572.587	−600.967	−612.103	−605.105	−592.890	−593.105
Total trust funds (net)	436.081	472.059	500.960	571.773	628.263	687.241	753.738	856.217	872.610	932.495
Deduct: Intragovernmental transactions	−2.140	−2.148	−2.472	−2.369	−3.014	−6.640	−21.521	−65.911	−44.531	−66.405
Total Veterans' Administration	19,651.351	19,042.164	19,010.342	20,466.997	21,174.609	23,132.880	24,944.770	25,324.001	26,252.833	27,245.766

BUDGET OUTLAYS, FISCAL YEARS 1976–85

[In millions of dollars]

Appropriation/fund account	Actual								Estimate	
	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Federal funds:										
Benefit programs:										
Compensation and pensions	8,178.323	8,999.596	9,572.817							
Compensation				6,743.320	7,433.501	8,425.760	9,276.429	9,843.853	9,874.500	9,845.700
Pensions				3,521.725	3,585.368	3,755.107	3,879.396	3,893.900	3,940.000	4,004.000
Burial benefits and miscellaneous assistance				176.881	183.213	208.135	140.060	122.250	141.200	142.200
Readjustment benefits	5,526.562	3,700.004	3,361.716	2,810.812	2,416.979	2,332.121	2,005.365	1,713.702	1,440.790	1,160.300
Veterans insurance and indemnities	6.146	7.922	3.459	4.421	3.919	8.174	9.255	6.629	7.484	11.083
Reinstated entitlement program for survivors									41.000	4.173
Emergency veterans job training									31.800	95.700
Loan guaranty revolving fund	−21.794	.660	80.236	207.112	27.557	277.820	183.027	239.268	112.700	29.592
Direct loan revolving fund	−43.027	−138.723	−38.990	−65.358	−67.154	−128.274	−62.266	−139.764	−5.986	−5.382
Service-disabled veterans insurance fund	.999	−1.509	2.119	.893	2.789	−.485	−2.563	.432	1.200	−1.150
Veterans reopened insurance fund	−34.372	−27.227	−28.624	−27.900	−17.227	−13.778	−18.659	−22.475	−17.900	21.300
Education loan fund	4.950	13.320	34.593	6.367	3.338	.987	−5.187	−6.577	−9.015	−12.375
Vocational rehabilitation revolving fund	−.090	.064	−.001	.023	.008	−.037	.059	−.021	.014	.015
Servicemen's group life insurance fund			−.464	.464	−.146	.118	−39.998	−39.751	−24.100	−23.500
Total benefit programs	13,617.697	12,554.107	12,986.861	13,378.760	13,572.377	14,866.862	15,365.779	15,611.446	15,533.687	15,271.656
Medical programs:										
Medical care	3,694.959	4,290.617	4,809.318	5,159.544	5,981.288	6,320.088	6,851.668	7,602.087	8,141.622	8,639.643
Medical and prosthetic research	93.559	104.460	111.747	117.270	130.912	135.288	135.258	151.583	171.841	205.324
Medical administration and miscellaneous operating expenses	35.655	38.668	41.645	42.621	50.052	49.461	51.546	58.365	69.143	73.834
Grants for construction of State extended care facilities	9.313	7.828	6.900	14.303	14.223	9.002	15.253	13.612	14.796	18.095
Grants to the Republic of the Philippines	1.796	2.045	1.770	.187	1.330	1.202	.182	.353	.647	.500
Assistance for health manpower training institutions	22.680	31.109	39.533	40.672	42.406	47.175	34.377	17.467	8.000	1.400
Construction and operation of garage and parking facilities					−.122	−.134	.080	.176		
Canteen service revolving fund	−.048	1.114	−2.788	−3.250	−.887	−1.632	−.803	−5.333	1.991	1.009
Special therapeutic and rehabilitation activities fund		.076	−.161	−.164	−.191	−.048	−.175	.010	−.010	−.010
Consolidated working fund	−.738	.297	−.250	−.003	1.369					
Total medical programs	3,857.176	4,476.062	5,007.715	5,371.186	6,220.380	6,560.402	7,087.386	7,838.300	8,400.030	8,939.795

Construction programs:										
Construction of hospital and domiciliary facilities	5.832									
Construction, major projects	138.705	168.402	161.930	150.232	189.506	307.558	345.232	337.782	435.123	
Construction, minor projects	43.101	65.438	81.332	86.265	105.168	97.773	83.355	90.872	130.717	160.089
Total construction programs	187.638	233.841	243.262	236.497	294.675	403.331	428.678	428.654	565.840	658.212
General operating expenses and miscellaneous:										
General operating expenses	475.699	510.265	558.082	603.295	629.295	624.133	649.939	673.710	721.707	750.954
Grants for the construction of State veterans cemeteries					.234	.674	.861	1.593	4.753	2.600
Supply fund	74.521	7.820	.043	−7.596	−4.249	−.841	−11.511	−22.376		
Total general operating expenses and miscellaneous	550.220	518.085	558.125	595.699	625.280	623.966	639.289	652.927	726.460	753.554
Total appropriations and funds	18,212.731	17,782.094	18,795.962	19,582.143	20,713.155	22,453.887	23.520.271	24,531.327	25,234.017	25,623.217
Proposed legislation:										
Compensation									134.200	493.700
Readjustment benefits										132.700
Reinstated entitlement program for survivors									.200	
General operating expenses										1.685
Education loan fund										−.097
Total proposed legislation									134.400	627.988
Deduct: Proprietary receipts from the public	−1.549	−.679	−3.138	−3.821	−2.450	−2.942	−3.476	−77.510	−67.100	−74.900
Total Federal funds	18,211.182	17,781.415	18,792.824	19,578.322	20,710.705	22,450.945	23,516.795	24,453.817	25,301.317	26,276.305
Trust funds:										
Post-Vietnam era veterans education account			.010	13.815	32.653	62.777	107.453	140.329	147.900	174.200
General post fund	4.519	4.375	5.032	5.547	6.186	6.887	7.641	9.449	10.000	10.300
National service life insurance	633.013	697.602	667.762	785.393	928.228	965.147	925.291	890.928	964.200	1.014.400
U.S. Government life insurance	71.297	71.105	66.973	70.841	76.317	70.048	64.332	59.851	54.200	50.000
Veterans special life insurance	−44.994	−46.016	−55.051	−38.049	−44.317	−44.194	−50.510	−56.486	−69.200	−72.000
Total trust funds (gross)	663.835	727.067	684.761	837.547	999.433	1,060.665	1,054.207	1,044.071	1,107.100	1,176.900
Deduct: Proprietary receipts from the public	−458.042	−486.982	−512.960	−526.328	−572.587	−600.967	−612.103	−605.105	−592.890	−593.105
Total trust funds (net)	205.793	240.085	171.800	311.219	426.846	459.698	442.104	438.966	514.210	583.795
Deduct: Intragovernmental transactions	−2.140	−2.148	−2.472	−2.369	−3.014	−6.640	−21.521	−65.911	−44.531	−66.405
Total Veterans' Administration	18,414.835	18,019.353	18,962.152	19,887.172	21,134.537	22,904.003	23,937.378	24,826.872	25,770.996	26,693.695

ADMINISTRATION'S PROPOSED LEGISLATION FOR FISCAL YEAR 1985

The following items are included in the President's legislative program for the second session of the 98th Congress and have been included in his fiscal year 1985 budget.

[In millions of dollars]

	Fiscal year 1985	
	Budget authority	Budget outlays
Compensation:		
Cost-of-living (COLA) increase of 3.5 percent, effective Apr. 1, 1984	321.800	321.800
Cost-of-living (COLA) increase of 4.3 percent, effective Apr. 1, 1985	206.300	171.900
Readjustment Benefits:		
Provide a 15-percent increase in subsistence allowances for Vietnam-era veterans, dependents, and vocational rehabilitation trainees, effective Jan. 1, 1985	132.700	132.700
Reinstated Entitlement Program for Survivors:		
Cost-of-living increase of 3.5 percent to spouses, effective Apr. 1, 1984		
Cost-of-living increase of 4.3 percent to spouses, effective Apr. 1, 1985		
A 15-percent increase in subsistence allowance paid to dependents in training under chapter 31, title 38, United States Code, effective Jan. 1, 1985		
Establishment of the Department of Defense's "Military Retirements Fund" in 1985 in order to pay REPS benefits		
Education Loan Fund:		
Repeal the authority that permits the VA to make education loans		−.097
General Operating Expenses:		
Increase reporting fee payable to educational institutions from $7 and $11 to $11 and $15	1.585	1.585
Facilitate safe ingress and egress with national cemeteries	.100	.100
Total, proposed legislation	662.485	627.988

COMMITTEE ON VETERANS' AFFAIRS PROPOSED LEGISLATION, FISCAL YEAR 1985

[In million of dollars]

	Estimated budget authority
Compensation and pensions:	
Provide disability allowances to Vietnam veterans with certain disabilities which may be related to Agent Orange exposure, and to veterans with certain disabilities which may have been related to exposure to ionizing radiation	4.4
Increase Servicement's Group Life Insurance maximum coverage from $35,000 to $50,000	0
Add the disease systemic lupus erythematosis to the service-connected presumption list	(1)
Readjustment benefits:	
Provide vocational training and counseling for new pension recipients under age 50	3
Increase maximum automobile assistance allowance from $4,400 to $5,000	.4
Authorize new educational benefits (H.R. 1400)	0
Extend Veterans Readjustment Appointments authority for 3 years	0
Medical care:	
Enhance recruiting and retention of VA police officers	4
Authorize waiver of dual compensation for certain VA physicians	(1)
Authorize certain service-connected disabled veterans to receive VA drugs and medicines prescribed by a private physician	6.4
Authorize comprehensive treatment for post-traumatic stress disorder	15
Housing:	
Increase certain dollar limitations under VA housing program	(1)
Memorial affairs:	
Require national cemetery grave markers to be upright	2.2
Authorize inclusion of certain real property in the Grafton National Cemetery	0
Total—legislative proposals	35.4

[1] Insignificant.

COMMITTEE ON VETERANS' AFFAIRS NONLEGISLATIVE PROPOSALS, FISCAL YEAR 1985

[Dollars in millions]

	FTEE	Estimated budget authority
Readjustment benefits:		
Additional funds for Emergency Veterans Job Training Act of 1983	0	$75
Medical care:		
Enhance extended care and aging programs:		
(1) Add 12 hospital based home care teams	60	4.2
(2) Add 1 additional geriatric research, educational, clinical center	20	2.2
(3) Establish 15 inhouse and 15 contract adult day health care centers	110	8.0
New technology equipment upgrade:		
(1) Acquire 2 nuclear magnetic resonance units	16	7.2
(2) Acquire 1 positron emission tomography unit	5	1.7
(3) Other capital improvements or equipment upgrades	0	5.0
Outpatient staffing:		
(1) Additional outpatient funding and staff	1,000	0
(2) Additional staff for Vet Center program	220	0
Construction:		
Add VA medical center, Philadelphia, Pa., clinical addition and nursing home care unit project	0	0
Loan Guaranty Revolving Fund:		
Continue current practices in VA Loan Guaranty Program	136	108.6
Total—nonlegislative proposals	1,567	211.9

I. Presidential Proposals

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986 [1]	1987 [1]
701—To provide a 4.3 percent increase for service-connected disabled veterans and their surviving spouses and children, effective April 1, 1985			
President's requests:			
Budget authority	528.1	424.2	416.3
Outlays	493.7	424.8	417.1
Committee recommendations:			
Budget authority	680.6	424.2	416.3
Outlays	645.7	424.8	417.1

[1] Reflects cost of 4.3 percent increase only.

The Committee accepts the 4.3 percent increase in compensation for service disabled veterans and the same increase in dependency and indemnity compensation for surviving widows and children of veterans who died from service-connected causes. However, the Committee is recommending the increase be effective December 1, 1984, rather than April 1, 1985.

The costs cited above reflect the President's request for a 4.3 percent increase effective April 1, 1985, as well as a full year's increment of a 3.5 percent increase effective April 1, 1984. The legislation for the April 1, 1984, increase is awaiting the President's signature as of this writing. Similarly, the cost for the Committee's recommendation reflects an effective date of December 1, 1984, for a 4.3 percent increase as well as a full year's increment of a 3.5 percent increase effective April 1, 1984.

In approving a cost-of-living increase for fiscal year 1984, the legislation included a sense of the Congress statement that the increase for fiscal year 1985 should be on December 1, 1984. The Committee notes that the Budget Committee has endorsed the proposal for a December 1, 1984, increase in the first budget resolution for fiscal year 1984. That resolution made provision in the outyears for compensation/DIC COLAs to be effective on December 1, 1985, and 1986. The Committee also notes that for several years prior to fiscal year 1984, compensation/DIC COLAs were effective each October 1 and our recommendation represents a delay of 2 months from the customary date of October 1.

[In millions of dollars]

Legislative proposal	Esimate		
	1985	1986	1987
702—To provide a 15-percent increase in subsistence allowances for Vietnam era veterans, dependents and vocational rehabilitation trainees effective Jan. 1, 1985.			
President's request:			
Budget authority	135	325	260
Outlays	127	319	265
Committee recommendations:			
Budget authority	135	325	260
Outlays	127	319	265

The Administration recommends a 15-percent increase in subsistence allowances for Vietnam era veterans, dependents and vocational rehabilitation trainees. The last increase in educational benefits for Vietman era and service-connected disabled veterans was a two-step, 10-percent increase provided in Public Law 96–466. A 5-percent increase took effect on October 1, 1980, and the second 5-percent increase on January 1, 1981. Figures published by the National Center for Education Statistics of the Department of Education indicate that there has been a sharp increase in the overall cost of education in recent years. On March 1, 1984, the Subcommittee on Education, Training and Employment unanimously recommended to the full Committee H.R. 4648, as amended, which proposes a 15-percent increase in veterans educational benefits, effective January 1, 1985. The Committee feels an increase in educational benefits at this time is necessary and appropriate and accepts the Administration's proposal.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
702—To repeal the authority that permits VA to make education loans.			
President's request:			
Budget authority	0		
Outlays	−.097		
Committee recommendations:			
Budget authority	0		
Outlays	0		

The education loan fund is used to provide loans of up to $2,500 to persons who are in training under Chapter 34 or 35, title 38, U.S.C. but passed their delimiting date with unused entitlement; and to veterans enrolled in flight training under Chapter 34.

No appropriation by Congress is required for this program. The fund balance and anticipated collections will be sufficient to support the expected volume of new loans, and authority already exists to supplement this fund as required from the readjustment benefits appropriation.

Because of the excessively high default rates experienced by this program, Congress repealed loans available to most veterans. It is

expected that only 165 veterans and survivors will be eligible for these loans in 1985. The Committee rejects this proposal.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
702—To increase reporting allowance fees.			
President's request:			
Budget authority	1.585	1.344	1.179
Outlays	1.585	1.344	1.179
Committee recommendations:			
Budget authority	1.585	1.344	1.179
Outlays	1.585	1.344	1.179

The reporting allowance fee is paid annually to cover the costs of administrative activities and report preparation for veterans and/or dependent trainees. Payment is at the rate of $11 each year for trainees who have elected to receive advance pay and $7 for all other trainees. The Administration requests that these payments be increased to $15 and $11 respectively. Reporting fees have not been increased since 1977, (Public Law 95–202). The Administration is in the process of requiring more frequent certifications which will almost triple the certification workload at educational institutions, according to the VA. The Committee accepts the proposed increases on the assumption that the more frequent certifications will be implemented by the Veterans' Administration.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
705—Authorize contributions for construction projects on land adjacent to and facilitating safe ingress and egress to national cemeteries.			
President's request:			
Budget authority	0.1	0.1	0.1
Outlays	0.1	0.1	0.1
Committee recommendation:			
Budget authority	0.1	0.1	0.1
Outlays	0.1	0.1	0.1

This proposal would allow the VA to contribute funds to local governments to improve roadways, construct traffic controls or other devices adjacent to national cemeteries if such is considered necessary for safety reasons.

The Committee accepted this proposal when the House passed H.R. 2948 on May 24, 1983.

II. Congressional Proposals

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
701—To provide benefits for Vietnam veterans who suffer from certain disabilities which may be related to exposure to Agent Orange and for veterans who suffer from certain disabilities which may result from exposure to ionizing radiation while in service.			
President's requests:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	4.4	4.7	4.9
Outlays	4.4	4.7	4.9

On January 30, 1984, the House passed H.R. 1961 which would provide a disability allowance to veterans who served in Southeast Asia during the Vietnam era and who later suffer from three specific disabilities. The same disability allowance would be payable to veterans who were exposed to ionizing radiation while participating in the testing of nuclear devices while in service and later suffer from three specific disabilities. Fiscal year 1984 budget authority costs for this bill would be $4.1 million with the same amount in outlays. The bill is pending in the Senate. Funds for this bill were included in the first concurrent budget resolution for 1984.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
701—To increase from $35,000 to $50,000 the maximum amount of insurance available under the Servicemen's Group Life Insurance program.			
President's requests:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:	0	0	0
Budget authority	0	0	0
Outlays	0	0	0

Current law provides a maximum amount of Servicemen's Group Life Insurance coverage of $35,000 for members of the All-Volunteer Armed Forces. The last increase in this ceiling was effective December 1, 1981. The concept of Government life insurance at its inception in 1917 was to make life insurance protection available to the uniformed services at a reasonable cost in view of the fact that

commercial insurance companies either refused to insure the lives of men subject to wartime risk through a war clause or were charging prohibitive premiums for waiving the clause. Servicemen's Group Life Insurance meets this need through a self-sustaining program with no cost to the Government. Under this proposal, the program, including the additional coverage provided herein, would continue to be self-supporting and would have no budgetary impact.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
701—To add the disease systemic lupus erythematosis to the list of chronic diseases that are considered to be service-connected for purposes of veterans' benefits if occurring within 1 year from the date of a veteran's separation from service.			
President's requests:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	(1)	(1)	(1)
Outlays	(1)	(1)	(1)

[1] Insignificant.

The Committee recommends this proposal because the insidious characteristics of the disease and the difficulty in early detection warrants inclusion in the list of chronic diseases considered to be service-connected if the disease is manifested to a significant degree within one year after separation from service.

[in millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
702—To require vocational counselling and training for new pension recipients under age 50 if such training is feasible.			
President's requests:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	3.0	5.0	5.0
Outlays	3.0	5.0	5.0

The Committee recommends this initiative as a rehabilitative measure for younger veterans who become disabled after separation from service from causes unrelated to their service. This would provide both opportunity and incentive for these individuals to receive training to overcome the earning impairment caused by their severe disabilities.

Pension under chapter 15 of title 38 would represent the VA monetary benefit payable to the veteran with the VA also providing the costs of tuition, books and fees for the training. Participation in the training program, where feasible, would be required in order for the veteran to receive pension.

The Committee believes this initiative will be advantageous for the Federal Government and for the younger totally disabled veteran who has the potential for participation in the training program. Without training, veterans could be expected to stay on the pension rolls for life. The placement rate in suitable employment for service-connected veterans who now undergo such training is over 70 percent and the veterans who would benefit from this training should experience approximately the same placement rate. The Committee estimates that by the end of the third year of the program, 2,800 pensioners would be dropped each year from the pension rolls. Thus the saving realized by the end of the third year would equal the cost for that year with a cumulative savings at the end of 5 years of some $5 million in excess of the costs for that period.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
702—To increase from $4,400 to $5,000 the maximum automobile assistance allowance, payable on a one-time basis, to certain severely disabled veterans.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	.4	.4	.4
Outlays	.4	.4	.4

Current law provides for a $4,400 one-time grant to veterans who have suffered the service-connected loss or loss of use of one or both feet or hands or service-connected blindness to assist them in purchasing an automobile. The last increase, from $3,800 to $4,400, was effective October 1, 1981. This proposal would increase the grant effective October 1, 1984, so as to help insure that the value of this benefit keeps pace with inflation.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
702—To establish new educational assistance programs for veterans and for members of the Armed Forces.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	0	0	28
Outlays	0	0	28

During the 97th Congress, H.R. 1400, the Veterans' Educational Assistance Act of 1981, was reported by this Committee and the House Armed Services Committee. This legislation would establish

new educational assistance programs for veterans and members of the Armed Forces.

This Committee again reported H.R. 1400 during the first session of the 98th Congress. The Armed Services Committee has completed hearings on the bill. There are a number of factors that are causing a downturn in the recruiting efforts of the Armed Services. The improving economy and decrease in unemployment will continue to make it much more difficult to reach their recruitment goals. In addition, the manpower pool of young men reaching 18 years of age is already declining and will continue to sharply decrease for the rest of this decade. In this regard, the Chief of Staff of the Army told the Congress that while the Army continues to meet its recruiting objective, it had 22 percent fewer off-the-street applicants during the last quarter of 1983 than it had in the previous year. Approval of a GI bill will not only improve the efforts of the Armed Forces and the Reserves to recruit more quality personnel, but will be, as previous GI bills have demonstrated, an investment in America.

H.R. 1400 represents the best alternative for assuring adequate recruitment and retention of quality personnel for both the active and the reserve forces.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
702—To extend Veterans Readjustment Authority Program for an additional 3 years to end September 30, 1987.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	0	0	0
Outlays	0	0	0

The VRA authority provides improved employment opportunities for disadvantaged Vietnam era veterans. It allows agencies to hire these veterans without competition on Civil Service examinations and subsequently to convert them to career or career-conditional appointments after not more than 2 years of satisfactory employment and training. Since the program was established in 1970, VRA's have provided employment opportunities for more than 200,000 Vietnam era veterans. Over the past 5 fiscal years, minorities have received an average of 38 percent and women 9 percent of the total veterans readjustment appointments. The most recent data show a total of 7,200 VRA's made in the first half of fiscal year 1983. Of these, approximately 35 percent were minorities and 8 percent women.

In January 1984, there were 571,000 unemployed Vietnam era veterans, with the age group 30–34 years, experiencing a 10.2 percent unemployment rate, as compared to 7.9 percent for non-veterans in the same age group.

The most effective program of the Federal Government as an employer to reduce unemployment among Vietnam era veterans has been the VRA program. On March 1, 1984, the Subcommittee on

Education, Training and Employment unanimously recommended to the full Committee H.R. 4649, as amended, to revise and extend the VRA program for 3 additional years to end on September 30, 1987. The Committee recommends this program be extended for 3 additional years.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
703—Clarify the scope of authority of Veterans' Administration police officers.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendation:			
Budget authority	4	4	4
Outlays	4	4	4

The Veterans' Administration employs some 1,800 persons as VA police officers, many of whom are inadequately trained and most of whom are not paid in accordance with their duties and responsibilities, which causes recruiting and retention difficulties. The scope of authority of VA police officers is presently unclear.

The Committee proposes to clarify the scope of authority of VA police officers, authorize increases in salaries, and provide other employee incentives commensurate with the responsibility of those who are employed to protect persons and property at VA facilities. However, the Committee wishes to stress that better management and training is the key to improved security at VA facilities. The combination of increased employee incentives provided in the proposed legislation and vastly improved training of employees is expected to make a positive impact upon VA facility security, as well as enhance recruiting and retention.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
703—Authorize the Administrator to waive mandatory reductions in military retirement pay of certain Veterans' Administration Department of Medicine and Surgery employees.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	(1)	(1)	(1)
Outlays	(1)	(1)	(1)

[1] Insignificant.

The authorization contained in the Civil Service Reform Act of 1978 to waive restrictions on the receipt of military retired pay while employed in a civilian capacity in any branch by the U.S. Government expired on January 11, 1984. In order to permit the VA, in special circumstances, to recruit and retain physician employees who are eligible for military retired pay, the Committee recommends an extension of the expired authority to permit such employees to receive their full salaries and military retired pay.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
703—Authorize the Veterans' Administration to furnish each veteran with a compensable service-connected disability such drugs and medicines as may be prescribed by any licensed physician for treatment of the service-connected disability.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendation:			
Budget authority	6.4	6.4	6.4
Outlays	6.4	6.4	6.4

Veterans with service-connected disabilities are entitled, by law, to receive prescribed drugs and medicines for treatment of such disabilities from the Veterans' Administration or from a VA authorized physician. Prior to 1983 the Veterans' Administration provided drugs and medicines prescribed by a non-VA physician, regardless of whether the physician was under Veterans' Administration contract to provide care and treatment, as long as the prescription was for treatment of a service-connected disability or the veteran was receiving service-connected or non-service-connected aid and attendance or housebound allowances. An interpretation of existing law by the Veterans' Administration's General Counsel in 1983 reversed that policy. Currently, a service-connected disabled veteran not receiving aid and attendance or housebound allowances choosing to receive treatment for that disability from a physician not authorized by the VA to provide such treatment must pay for any prescribed drugs or medicines in addition to the physician's bill. This has created an inequity by permitting certain severely non-service-connected disabled veterans to continue to receive drugs and medicines not prescribed by the Veterans' Administration or a VA contract physician, while denying such prescribed drugs and medicines for treatment of other veterans' service-connected disabilities. The Committee proposes to eliminate this anomaly by authorizing the provision of drugs and medicines to service-connected disabled veterans in the same manner provided prior to the issuance of the General Counsel's opinion.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
703—Authorize the Administrator to provide comprehensive treatment for post-traumatic stress disorder.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendation:			
Budget authority	15	15	15
Outlays	15	15	15

Post-traumatic stress disorder as a separate diagnostic category has only been recognized in the past 5 years. The Veterans' Administration treats large numbers of veterans suffering from this disorder in comparison to the general population served by non-Veterans' Administration hospitals. It is, therefore, logical to presume that the VA should be at the leading edge of advances in diagnosis, clinical treatment, research and efforts to educate other clinicians in this area.

The Committee is aware of 10 comprehensive units for treatment of post-traumatic stress disorder in Veterans' Administration medical facilities, which were initiated at the instigation of the individual facility. These so-called "Combat Units" have been successful in restoring certain affected individuals to normal functioning. The Committee expects to report legislation which will authorize up to 15 such treatment units and encourage a greater interchange of knowledge and ideas on the disorder. By combining "Combat Units" with research and educational efforts, the Committee intends to make a broader range of treatment available to all veterans suffering from post-traumatic stress disorder.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
704—Increase certain dollar limitations under the VA Housing Program.			
President's requests:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	(1)	(1)	(1)
Outlays	(1)	(1)	(1)

[1] Insignificant.

Note: These figures are based upon the continuation of current practices in the VA loan guaranty program.

The current VA loan guaranty limitations have been in effect since 1980 when they were increased from $25,000 to $27,500 through the enactment of Public Law 96-385. This law also authorized a new one-time $5,000 specially adapted housing benefit to service-connected blinded veterans and service-connected veterans who have suffered the anatomical loss or loss of use of both hands. Public Law 97-66, which became effective October 1, 1981, increased from $30,000 to $32,500 the one-time grant payable to service-connected veterans who suffer from bilateral lower extremity losses, or various combinations of blindness and single and double extremity losses and other disabilities that prevent natural balance, propulsion and locomotion.

This proposal would increase the VA loan guaranty from $27,500 to $30,000; the specially adapted housing grant from $32,500 to $35,000 and the specially adapted housing benefit from $5,000 to $6,000. Data provided by the National Association of Home Builders indicates that there has been an approximate 25 percent in-

crease in the median cost of conventional housing, so this increase is well warranted.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
705—Require that grave markers in national cemeteries be upright.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	2.2	2.4	2.2
Outlays	2.2	2.4	2.2

Although the Veterans' Administration may provide both upright and flat markers in national cemeteries, they are frequently choosing to install flat markers for easier maintenance purposes. Numerous complaints have been received from areas subject to heavy snowfalls that flat markers are not visible for long periods of time, and this makes it difficult for survivors to find the graves of their loved ones.

[In millions of dollars]

Legislative proposal	Estimate		
	1985	1986	1987
705—Provide for the acceptance by the Administrator of Veterans' Affairs of certain real property in Grafton, West Virginia, for inclusion in the Grafton National Cemetery.			
President's request:			
Budget authority	0	0	0
Outlays	0	0	0
Committee recommendations:			
Budget authority	0	0	0
Outlays	0	0	0

The West Virginia National Cemetery Committee wishes to purchase and subsequently donate land adjacent to the Grafton National Cemetery in order to reopen the cemetery which has been closed since 1961. Development costs on two alternate proposals have been prepared and the feasibility of such development is currently being considered by the Veterans' Administration.

The fiscal year 1984 appropriations bill, Public Law 98-45, contained $1.75 million to fund this project and these funds are currently available to the Administrator for such expansion. The Committee will consider legislation to specifically authorize this proposal for which funds are already appropriated.

PROGRAM OF COMMITTEE ON VETERANS' AFFAIRS NON-LEGISLATIVE PROPOSALS, FISCAL YEAR 1985

[In millions of dollars]

Proposal	Estimate		
	1985	1986	1987
702—To fund Public Law 98–77, the Emergency Veterans Jobs Training Act of 1983.			
Committee recommendation:			
Budget authority	75		
Outlays	75		

On August 15, 1983, the President signed into law the Emergency Veterans Jobs Training Act of 1983, Public Law 98–77. At that time he said, ". . . the nation has a special commitment to those who have served in the military . . . They did their best for us; now we must do our best for them."

This law authorized an emergency program of job training assistance for unemployed Korean Conflict and Vietnam era veterans for fiscal year 1984 and fiscal year 1985. $150 million was appropriated for the first year of the program, but the VA has not included the authorized $150 million for the second year in its budget request.

The VA indicates that because of the expected improvement in the economy, the initial funds provided for this program will be sufficient to meet the objectives established for this program. The VA estimates that 20,000 unemployed veterans of the Vietnam era or Korean conflict will enter on-the-job training under Public Law 98–77. The unemployment situation is improving. However, veterans unemployment continues to be unacceptably high. According to the Bureau of Labor Statistics, during January 1984, more than 571,000 Vietnam era veterans were unemployed and 207,000 of these had been out of work 15 weeks or longer. The total of eligibles for this program is much higher since the Bureau of Labor Statistics does not compute information on Korean veterans as a group.

The Committee feels that it is too early to determine whether the program established under Public Law 98–77 should not be available for its authorized 2-year period. The program has only been in place 3 months. As of February 21, 1984, over 60,000 veterans have been certified as eligible participants. Over 11,200 job slots had been approved. Employee outreach was not initially sufficiently aggressive. There are indications that this is improving and substantially more employers will be brought into the program.

Once the program becomes known, especially among employers, it is believed that there will be a dramatic increase in the number of veterans filling job training positions under this program.

All applications must have been submitted by November 29, 1984, and no payments may be made for any veteran who is not in training before March 1, 1985. The Committee believes that the initial appropriation of $150 million will be insufficient to meet the increased demand for training. The Committee, therefore, recommends $75 million for fiscal year 1985 which should be adequate to meet demands until the termination of the program in 1986. This will assure that no veteran will be denied an opportunity to participate in the program because of a lack of authorized funds.

[Dollars in millions]

Proposal	Estimate		
	1985	1986	1987
703—Enhance extended care and aging programs.			
A. Add 12 hospital based home care teams.			
Committee recommendation:			
Budget authority	$4.2	$4.2	$4.2
Outlays	$4.2	$4.2	$4.2
FTEE	60	60	60
B. Add one additional geriatric, research, educational, clinical center.			
Committee recommendations:			
Budget authority	$2.2	$2.2	$2.2
Outlays	$2.2	$2.2	$2.2
FTEE	20	20	20
C. Establish 15 inhouse and 15 contract adult day health care centers.			
Committee recommendations:			
Budget authority	$8.0	$8.0	$8.0
Outlays	$8.0	$8.0	$8.0
FTEE	110	110	110

During the Subcommittee on Hospitals and Health Care oversight hearings in the VA's six medical regions on the Department of Medicine and Surgery's health care delivery system, it was apparent that the aging veteran population has already impacted on the VA medical care system. Today, the number of veterans over 65 years of age is 4 million and is expected to increase to 7.2 million by 1990. While the need for nursing home, domiciliary and other long-term care facilities is increasing, there is also increased need for non-institutional alternatives to long-term care beds. The subcommittee chairman, the Honorable Bob Edgar, and members of the subcommittee are quite concerned with the projected cost of providing health care to our aging veterans and strongly recommend that the Chief Medical Director vigorously pursue alternatives to the traditional modalities which are cost effective and of high quality. The proposed increases in these three programs will enhance the Chief Medical Director's efforts to respond to the growing need of our aging veteran population.

[Dollars in millions]

Proposal	Estimate		
	1985	1986	1987
703—Upgrade new technology equipment.			
A. Procure two nuclear magnetic resonance units (NMR).			
Committee recommendations:			
Budget authority	$7.2	$1.0	$1.0
Outlays	$7.2	$1.0	$1.0
FTEE	16	16	16
B. Procure one positron electron transformation (PET) scanning unit.			
Committee recommendations:			
Budget authority	$1.7	$.4	$.5
Outlays	$1.7	$.4	$.5
FTEE	5	5	5
C. Other capital improvements or equipment upgrades.			
Committee recommendations:			
Budget authority	$5.0	0	0
Outlays	$5.0	0	0
FTEE	0	0	0

The Veterans' Administration's Department of Medicine and Surgery is well recongized in this country's medical community as a leader at the cutting edge of the modern art of medicine, as well as medical research. To be successful in these efforts, the VA must have access to state of the art technology and equipment. Since it is recognized that high technology is costly, the Committee considers a modest increase in funding for high technology equipment necessary to ensure high quality health care treatment for our veterans. Computerized Tomographic (CT) Scanners are outstanding diagnostic tools found in many of the VA's medical centers. Other medical centers urgently need this equipment. In developing the most modern state of the art, pioneer work is being accomplished with the Positron Electron Transformation (PET) Scanner at the VA medical centers in Madison, Wis., and Palo Alto, Calif. through its affiliation with the Stanford Medical School. This equipment makes it possible to differentiate patterns of brain function in patients with behavioral disturbances (schizophrenia). This device significantly improves the diagnosis and treatment of psychiatric patients. The Nuclear Magnetic Resonance (NMR) Unit provides a diagnostic technique using radio waves and magnets. This non-invasive technique is expected to aid in the early detection of such diseases as cancer, multiple sclerosis and heart disease without risk to the patient. The Committee recommends that the Chief Medical Director take immediate action to procure this equipment for medical treatment and research purposes.

[Dollars in millions]

Proposal	Estimate		
	1985	1986	1987
703—Provide additional outpatient funding and staff, including staff for veterans readjustment counseling program.			
Committee recommendations:			
Budget authority	0	$50	$50
Outlays	0	$50	$50
FTEE	1,220	1,220	1,220

A recent Committee survey indicated that outpatient funding for fiscal year 1984 is approximately $319 million less than required to provide such service to all eligible veterans. Several factors contribute to this increase in demand for outpatient service, including an increase in over age 65 veterans who utilize services at a rate twice that for younger veterans, Department of Medicine and Surgery continuing efforts to reduce hospital length of stays by shifting care to the outpatient setting, and the increased demand for outpatient services as they become more prevalent in private sector medicine. The Committee is aware that 18 million outpatient visits have been programmed in fiscal year budget requests for several years and that the Veterans' Administration projects these visits will increase to 23 million by 1990. To initiate action to attain the capability required in the next 5 years, the Committee recommends functionally transferring $50 million from the working reserve of the Construction Account to fund 1,000 additional FTEE for outpatient services.

In the last 3 fiscal years, the Veterans' Administration has not been able to obligate most of the funds earmarked for the Vietnam Veterans Readjustment Counseling contract program. In recent testimony before the Committee, the Chief Medical Director stated that the VA has experienced difficulty in locating adequate numbers of qualified private sector organizations which could provide such services by contract. Additionally, the Chief Medical Director stated that lack of authorized FTEE ceilings has made it impossible to use these funds to establish and staff additional VA operated Vet Centers. The Committee recommends that 220 additional FTEE be allocated to this important program and that the Chief Medical Director take action to use surplus contract program funds to establish additional Vet Centers.

[Dollars in millions]

Proposal	Estimate		
	1985	1986	1987
703—Add VA Medical Center Philadelphia, PA clinical addition and nursing home care unit project.			
Committee recommendations:			
Budget authority	0	$120.7	0
Outlays	0	120.7	0
FTEE	0	0	0

The most recent Veterans' Administration 5-Year Medical Facility Construction Plan, fiscal years 1984–88, includes a replacement/modernization clinical addition, nursing home care unit, and parking project at VA Medical Center, Philadelphia, with $18.3 million for design funds in fiscal year 1985 and $120.7 million for construction funds in fiscal year 1986. During the budget review process, the Office of Management and Budget (OMB) deleted this project due to second year construction costs, but left the $18.3 million for design funds in the fiscal year 1985 construction request for unspecified projects. VA's Space and Functional Deficiency Identification System (SFDIS) identified Philadelphia as the third worst

medical center in the VA medical system regarding space and function.

The deletion of this project by OMB is of major concern to the Committee. As presently designed, the project can only proceed due to the availability of adjacent land which has been donated by the city of Philadelphia. The City Council placed a restriction on the donation, stating that the land would return to the city if the VA did not proceed with construction by December 1986. By terms of this agreement, the VA and the Congress must authorize the first increment of funding for the Philadelphia construction project in the fiscal year 1985 budget. The Committee strongly urges the Committee on Appropriations to include this project in the fiscal year 1985 Appropriations Act, so that the sorely needed facility will not be lost due to contract default. Inasmuch as the design funds are still in the fiscal year 1985 budget request, additional funds should not be required.

[Dollars in millions]

Proposal	Estimate		
	1985	1986	1987
704—Continue current practices in VA loan guaranty program.			
Committee recommendations: [1]			
Budget authority	$108.6	$8.6	$179.8
Outlays	$91.7	−$5.9	$165.0
FTEE	136	136	136

[1] The above figures assume a $126.8 million appropriations to the loan guaranty revolving fund in fiscal year 1984.

The fiscal year 1985 budget contains a proposal that the VA no longer respond to defaults on VA guaranteed loans by acquiring foreclosed properties but rather pay all lending institutions the guaranteed portion of the loan following foreclosure. The lending institution would then have to dispose of the property. In addition, the VA would be required to liquidate its loan portfolio and sell all of their properties on hand. This policy change is construed as a budgetary savings.

This proposal, which was to have an effective date of March 1, 1984, has been put on hold temporarily. In a letter addressed to the Committee by David A. Stockman, Director of the Office of Management and Budget, it was stated that:

> Because the changes in the procedures of the VA loan guaranty program will require regulatory changes (as will those of FHA), we are revising the implementation date of those changes to October 1, 1984. This will allow your committee to conduct hearings on these programs and participate with us in the modifications.

In view of this deferral and because of the uncertain nature as to when or whether this policy will ever be implemented, the Committee is restoring the funds to maintain the existing program. Additionally, provision is being made for retention of the 136 FTEE which will be required to operate the existing program. This involves a cost of $3.9 million.

The Committee is concerned about this policy change. According to a CBO draft on the impact of this proposal on the VA loan guaranty program, any savings would be short-lived and would ultimately create larger deficits in future years than continuing with existing policy. Increased costs of $75–$100 million as a result of increased claims payments and no revenues could appear as early as fiscal year 1987.

More importantly, the Grace Commission proposal will have an adverse impact on our nation's veterans ability to obtain housing loans.

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